An Export-Arms Bank?

Some agencies of the Federal Government, it would seem, are no longer what they appear to be. The Export-Import Bank of Washington was established in 1934 to assist in the financing of commercial exports. But last January the alert staff of the Senate Foreign Relations Committee reported that the Eximbank had "taken an active interest in the financing of military export sales." And now, on examination and questioning by the House Banking Committee, it appears that fully 36 per cent of the Eximbank loans in the fiscal years 1966-67 were for arms.

The nearly \$1.6 billion of arms credits extended by the Eximbank since 1963 fall into two categories. Medium term loans were made to industrial countries. Italy and Austria were beneficiaries of that program in 1963, a time of great tension over the disputed South Tyrol. Then there are the guaranteed "country X" loans, arranged on behalf of the Defense Department, principally for the underdeveloped countries of Latin America.

The single justification for these surreptitious operations—the argument that loans rather than grants result in smaller balance-of-payments deficits—does not in any way diminish the threat to democratic institutions. The House Banking Committee, which is supposed to supervise the Eximbank, was never informed of the military loans. Indeed, that Committee was placed in a position similiar to that occupied by the National Student Association in its relationship with the CIA.

What is worse, the Eximbank loans were used to circumvent the \$55 million ceiling on annual arms exports to Latin America imposed by the Senate. In fact, the Eximbank lent as much as \$50 million to individual South American countries.

In the ensuing embarrassment, Senator Ellender recommended that the Eximbank be prohibited from extending "country X" loans in the underdeveloped parts of the world, but be permitted to continue with its developed country programs. That compromise fails to get to the heart of the matter and should be roundly rejected. The Eximbank, as Representative Henry S. Reuss observes, has managed within four years to become embroiled on both sides of almost every armed conflict, actual or potential. Permitted to continue in that insidious role under the cloak of secrecy, it would constitute a threat to both representative government and world peace.